

Position on Financial Institutions

Triodos Bank, Triodos Investment Management and Triodos Private Banking (in this document 'Triodos Bank') finance and invest in companies, institutions and projects that add cultural value and benefit people and the environment, with the support of depositors and investors who want to encourage socially responsible business and a sustainable society.

Triodos Bank's mission is

- to help create a society that promotes people's quality of life and that has human dignity at its core.
- to enable individuals, institutions and businesses to use money more consciously in ways that benefit people and the environment, and to promote sustainable development.
- to offer customers sustainable financial products and high quality service.

Ambition

Triodos Bank wants to promote human dignity, environmental conservation and a focus on people's quality of life in general. Key to this is a genuinely responsible approach to business, transparency and using money more consciously. Triodos Bank puts sustainable banking and investing into practice. First and foremost, this means offering products and services that directly promote sustainability. Money plays a leading role in this because using money consciously means investing in a sustainable economy. This in turn helps to create a society that enjoys a better quality of life.

Relationships with other financial institutions

As a fully licensed bank, Triodos Bank is connected to the banking system. As a consequence, it interacts with other banks in order to perform its core banking activities. Transactions with other banks are primarily focused on payments as well as interbank deposits for liquidity and risk management purposes.

Triodos Bank believes that financial institutions fulfil a key role in driving sustainable development. When selecting banking relationships, Triodos Bank applies sustainability criteria in the same way as it does for any business relation.

Selection of counterparties

Triodos Bank seeks to minimise the risk of its relationships with other banks, as they do not represent core business but rather serve as an enabler to serve Triodos Bank's customers in the real economy. As a result, banking counterparts are selected first and foremost based on their risk profile. Compliance with sustainability criteria is another important consideration for entering into a relationship with another financial institution.

Counterparty limits are decided by Triodos Bank's Executive Board (EB) based on the advice of the Central Credit Committee (CCC). Counterparty limits are reviewed on an annual basis or more frequently in case of deterioration in counterparties' credit rating, financial outlook, or sustainability performance.

Banking requires sound financial policies and risk management systems. Triodos Bank chooses to deal with banks showing strong financials, equivalent to investment grade (minimum BBB-/Baa2 when rated by Standard & Poor's, Fitch, or Moody's).

In selecting banking counterparts, Triodos Bank takes into account sustainability criteria applying a three-step approach, similar to the selection procedure for investing on the stock market, for determining which financial institutions meet its general and sector-specific criteria. For further information on the procedure, see also Our Approach to Investments on the Stock Market.

Step 1: The first assessment identifies financial institutions that obtain at least 50% of their revenues from sustainable activities. Those institutions are considered sufficiently sustainable.

Step 2: The second step identifies institutions that do not primarily focus on sustainable products and services, but that are among the 50% best-in-class performers of their industry.

Step 3: In the last step, financial institutions are screened according to the Triodos Bank Minimum Standards & Exclusions and specific restrictions for the financial sector. Triodos Bank strives to not have business relations with financial institutions that:

- Own or hold shares in companies involved in the extraction of unconventional oil and gas, nuclear power or weapons-related activities that are each worth more than EUR 100 million or 1% of their equity investments.

Triodos Bank considers this involvement to be substantial, indicating a conscious decision to be involved in such activities. Furthermore, financial institutions that hold any shares, bonds or loans in companies involved in anti-personnel landmines, cluster bombs and biological and chemical weapons are excluded.

- Are involved in the violation of laws, codes of conduct or conventions, unless there is proof of structural improvement within the company that leads to fundamental behavioural changes.
- Are involved in accounting irregularities or remuneration controversies, thereby raising significant ethical or moral concerns, and acting in clear violation of local or international standards of best practice, while failing to take credible measures.

The assessment considers compliance with and endorsement of international standards and principles on sustainability (in the financial sector), such as the Equator Principles, Financial Action Task Force recommendations, Green Bonds Principles, OECD guidelines for multinational enterprises, UN Global Compact and, UN Principles for Responsible Investment, UNEP Finance Initiative and the Wolfsberg Principles. Triodos Bank expects its counterparts to have policies in place that reflect their awareness of and concern for the sensitive and crucial issues that are addressed by these and other standards and principles.

Triodos Bank verifies counterparties' compliance with the Minimum Standards & Exclusions on a continuous basis and performs in-depth screenings and analysis of the financial institutions at least once every three years.

Triodos Bank encourages financial institutions to report on sustainability according to the latest version of the Global Reporting Initiative (GRI) guidelines, to integrate social, economic and environmental criteria in their procurement and operations policies, and to incorporate a clause on compliance therewith into contracts.

Engagement

Triodos Bank seeks to raise awareness, convince and motivate positive change within the financial sector. It promotes the prevention of risky trade and investment activities of financial institutions acting on their own account, for other purposes than to cover the financial risks of their credit provision. In addition, Triodos Bank encourages financial institutions to be transparent about tax payments to governments and to not provide advice or support to parties on transactions which have the safeguarding of tax advantages as primary goal.

Triodos Bank engages with the financial sector via bilateral dialogue and multiparty platforms. Examples of platforms are the UN Principles for Responsible Investment (UNPRI) platform and Eumedion. Both aim to increase the role of sustainability considerations within financing and investing decision-making. UNPRI also works to increase sustainability of the financial sector itself.

Regulatory requirements in the jurisdiction of the countries in which Triodos Bank operates, as well as risk considerations, may dictate exceptions to the Triodos Bank Position on Financial Institutions. Exceptions to the Triodos Bank Position on Financial Institutions may occur in case selected banks have deficient capacity to take Triodos Bank's liquidities, without creating an unacceptable concentration risk for Triodos Bank. Triodos Bank strives for maximum involvement with the most sustainable financial institutions, provided the service quality remains acceptable, and compliance with applicable rules and regulations is guaranteed.

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